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September 21, 2001

RECEIVED

SEP 21 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Re: *Ex parte* presentation in CC Docket Nos. 00-256, 96-45, 98-77, and 98-166

Dear Ms. Salas

On September 20, 2001, CenturyTel, Inc. ("CenturyTel") made an *ex parte* presentation in the above-referenced proceedings. Present at the meeting on behalf of CenturyTel were: Jeffrey S. Glover, Vice President, External Relations, CenturyTel, John F. Jones, Vice President, Federal Government Relations, CenturyTel, and Karen Brinkmann and the undersigned of Latham & Watkins, counsel to CenturyTel. We met with Jane E. Jackson, Chief, Rich Lerner, Deputy Chief, Jay Atkinson, Chief Economist, and Marvin F. Sacks, Attorney, all of the Competitive Pricing Division, Common Carrier Bureau, and Donald K. Stockdale, Director of Research, Office of Plans and Policy.

In the meeting, CenturyTel highlighted its support for the Multi-Association Group (MAG) process, and proposed additional regulatory reforms. Specifically, CenturyTel proposed that the Commission streamline the process of acquiring local exchange properties from larger carriers by: (1) granting blanket waivers of the price cap and pooling all-or-nothing and one-way-door rules, as well as a waiver of its freeze on study area boundaries in the context of acquisitions of exchanges; and (2) ensuring that sufficient revenue and universal service support are available to those exchanges.

Magalie Roman Salas
September 20, 2001
Page 2

In addition, CenturyTel proposed regulatory reforms for its existing local exchange operating companies that would promote increased efficiency and spur rural investment. Written materials distributed at the meeting are attached to this letter.

Pursuant to the Commission's rules, I am filing two copies of this letter for inclusion in the record of each of the above-referenced proceedings. Please contact me at (202) 637-2225 if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard R. Cameron". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Richard R. Cameron
of LATHAM & WATKINS

cc: Kyle D. Dixon
Jane E. Jackson
Rich Lerner
Jay Atkinson
Marvin F. Sacks
Donald K. Stockdale

The CenturyTel Growth and Rural Infrastructure Plan

I. Promoting Growth and Investment in Acquired Exchanges

A. The Bells Sell Rural Exchanges Because They Are Less Profitable

1. Geographically averaged local exchange rates are below cost in many areas.
2. Price cap regulation has not encouraged investment in rural exchanges.
3. Recent deaveraging of universal service support and SLCs is not enough to tip the balance.

B. The Commission Should Eliminate Regulatory “Baggage” that Hampers CenturyTel Acquisition of Divested Exchanges

1. Waive price cap all-or-nothing and one-way door rules for acquired exchanges.
2. Waive common line pooling all-or-nothing and one-way door rules for acquired exchanges.
3. Eliminate study area boundary waivers if acquired exchanges remain under price caps.

C. The Commission Should Act to Overcome Universal Service Impediments

1. Clarify that price cap exchanges acquired by a non-price cap carrier will continue to receive interstate access USF support as long as they remain under price caps.
2. Clarify process for establishing \$0.0095 per minute target usage sensitive rate, if acquiring holding company has fewer than 19 switched access end user common line charge lines per square mile.
3. Clarify that safety net and safety valve support are available to price cap rural carriers formed from partial (otherwise non-rural) study areas purchased from BOCs.

II. Promoting Growth and Investment in *All* CenturyTel Exchanges by Creating Incentive Regulation for Existing CenturyTel Operating Companies, Optional by Study Area

A. Align Rates and Costs

1. Make access rates flatter: raise SLCs to CALLS levels; reduce per-minute rate to target level.
2. Permit optional access rate deaveraging of into multiple zones, with CALLS-type safeguards.
3. Create universal service support to replace foregone interstate access revenues.

B. Remove Obstacles to Rural Investment through Optional Incentive Regulation

1. Freeze per-line interstate revenue requirements at 2001 level (indexed for inflation).
2. SLCs, carrier charges, and USF continue to recover this frozen amount.
3. Impose specific investment and service deployment requirements (DSL, fiber optic plant, competitive “edge-out” requirements, etc.)
4. Safety valve and safety net support continue to be available in addition to interstate access USF and high-cost USF.
5. Low-end adjustment available, if earnings fall below prescribed level.

C. Promote Efficient Competition and Delivery of Customized Services

1. Non-dominant treatment of new services.
 - a. New services may be offered on a non-dominant basis.
 - b. Collocation available to any competing provider of such service, subject to space availability and pursuant to the Commission’s collocation rules.
2. Market pricing of existing services.
 - a. Volume and term discounts and ICB pricing available for all interstate switched and special access services and charges.
 - b. Special access may be offered on a non-dominant basis with a competitive showing.

Promoting Growth and Investment in Rural Telecommunications



***Filling the Telecommunications Void
in Rural America***

LATHAM & WATKINS
SEPTEMBER 20, 2001

A Growth and Rural Infrastructure Plan:

- Streamlines regulatory approval of rural carrier acquisitions of divested BOC exchanges
- Removes regulatory obstacles to modernization of rural infrastructure
- Promotes launch of new services in rural markets
- Encourages competition based on price and service quality
- Protects rural universal service

CenturyTel: An Overview

- Nation's 8th largest local exchange company
- Today: 1.8 million lines; 21 states -- all rural
- A leading acquirer of rural access lines
- Tripled in size through acquisitions since 1996
 - ☎ PTI (660,000 lines; 1997)
 - ☎ Ameritech (89,000 lines; 1999)
 - ☎ GTE (490,000 lines in 3 states; 2000)
 - ☎ New lines pending...

CenturyTel's Focus on Rural America

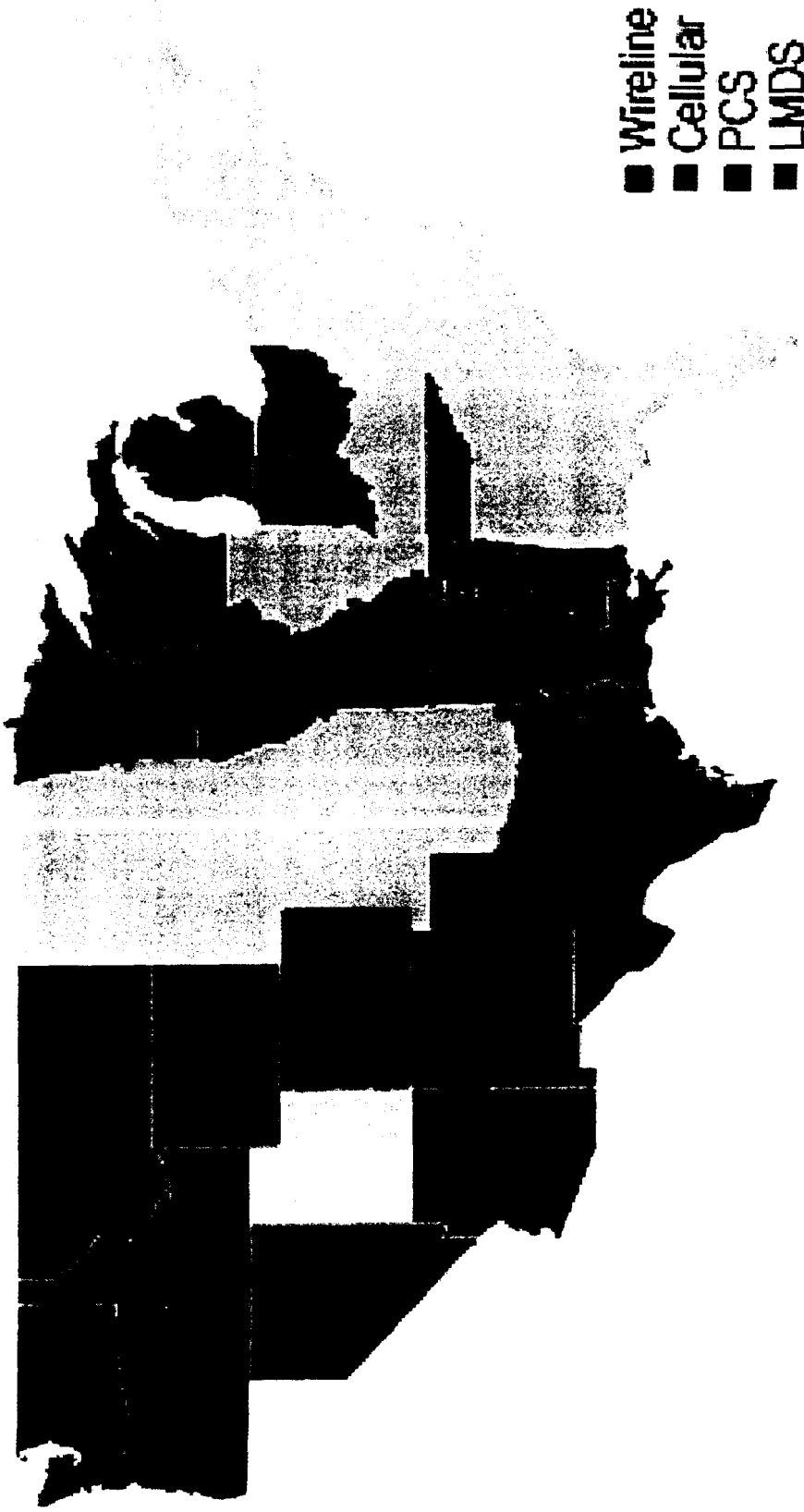
- Core business: providing high-quality telecommunications services to rural areas
- Growth strategy: focused on rural markets and smaller cities in U.S.
- Aggressive DSL deployment in small, rural exchanges
- First to market with new services
- Proven experience and commitment to serving rural America

CenturyTel: Growth Strategies

■ Growth drivers:

- ☎ Additional strategic acquisitions
- ☎ Value-added packaging, products, vertical services and long distance
- ☎ Deployment of new technology over advanced network
- ☎ Expanded competitive entry into contiguous markets

CenturyTel Spans 21 States



CENTURYTEL

Current Rules Hamper Growth

- Customer needs dictate that regulatory obstacles must be streamlined or eliminated
- Hundreds of thousands of rural access lines will ultimately be for sale
- Commission rules impede acquisition of price cap properties by non-price cap LECs
- Many rural price cap customers are underserved
 - ☎ Service improvements require new investment
 - ☎ CenturyTel invests heavily in bringing new services to acquired exchanges

A Plan to Fill the Void

- Waive rules that inhibit CenturyTel's acquisition of price cap carrier lines
- Remove obstacles to CenturyTel's investment in rural network infrastructure and new services.
- Permit CenturyTel to align prices with costs and respond to market conditions
- Ensure sufficient universal service support to keep rural rates affordable

What's Needed to Fill the Void?

- The FCC should move to properly align out-dated regulations with market realities by waiving:
 - ☎ Price cap all-or-nothing and one-way-door rules
 - ☎ Common line pooling all-or-nothing and one-way-door rules
 - ☎ Study area boundary freeze, in the context of acquisitions of exchanges only

What's needed... *(continued)*

- Sufficient safety valve and safety net support
- Interstate access universal service support should follow acquired price cap exchanges
- Carriers below line density threshold should be eligible for .95¢ per-minute target usage-sensitive rate

Regulatory Reform Spurs Rural Investment for ALL Exchanges

- Consumers benefit from new services, increased rural investment, and more efficient cost recovery
- Permit delivery of customized services
- Promote price and service competition
- Allow introduction of new services
- Rural carriers have done a better job than both RBOCs and IXC's of serving and investing

What's Needed: Incentive Regulation

- Create optional incentive-based regulation to spur rural investment
 - ☎ Encourage carriers to invest in the network using savings from efficiency gains
 - ☎ Freeze per-line interstate revenue requirement at 2001 level (indexed for inflation)
 - ☎ Low-end adjustment available
 - ☎ Establish service deployment milestones
 - ☎ Encourage introduction of new services by regulating these services as competitive

What's Needed: Incentive Regulation

(continued)

- Promote service customization through pricing flexibility, including:
 - ☎ Optional access rate deaveraging into multiple zones
 - ☎ Volume and term discounts, ICB pricing
 - ☎ Non-dominant treatment of special access and new services

The Future

- Over the next five years, create flexible cap on CALLS-based interstate access universal service support
- At the expiration of the CALLS Plan, determine regulatory treatment of all CenturyTel exchanges

CENTURYTEL

Vision Is Key!

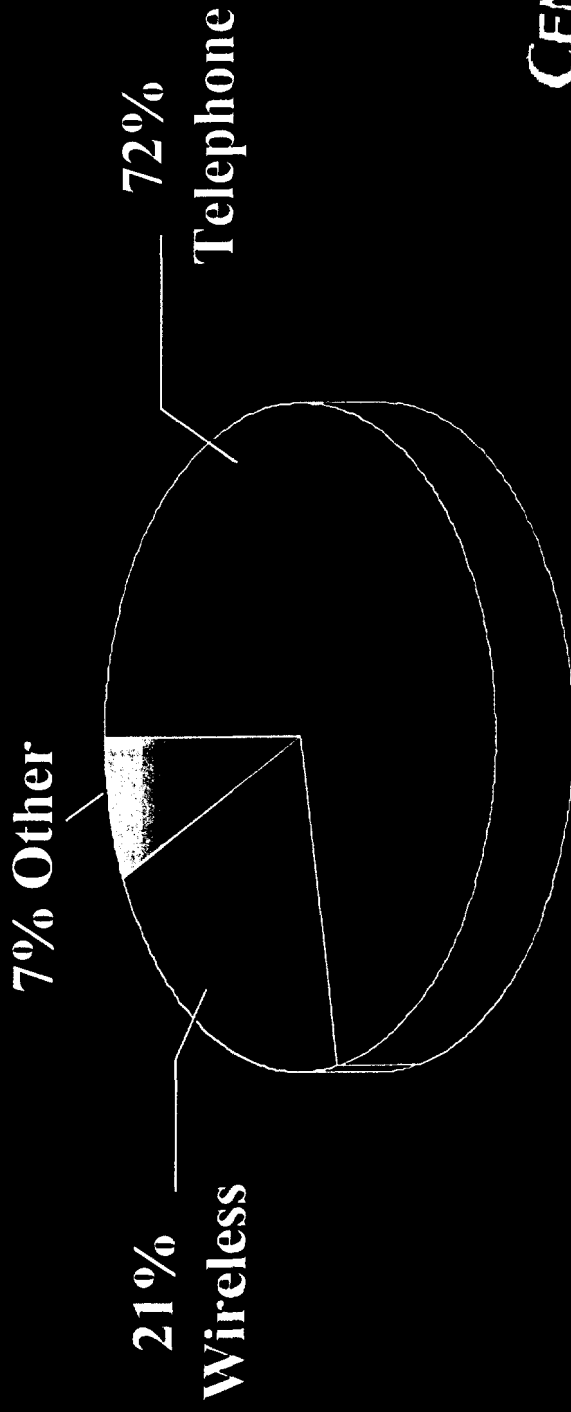
- CenturyTel Clear Vision:
 - CenturyTel Is Focused on Becoming a Premier Growth Company in Our Industry While Being Recognized As the Leading Provider of Integrated Communication Services to Rural Areas and Smaller Cities in the United States

CENTURYTEL

CenturyTel Overview

- ◆ 8th Largest LEC and 8th Largest Cellular Company in the U.S.
- ◆ Provide Service to More Than Three Million Customers
- ◆ Growth Strategy Focused on Rural Markets and Smaller Cities in the U.S.

First Six Months Annualized



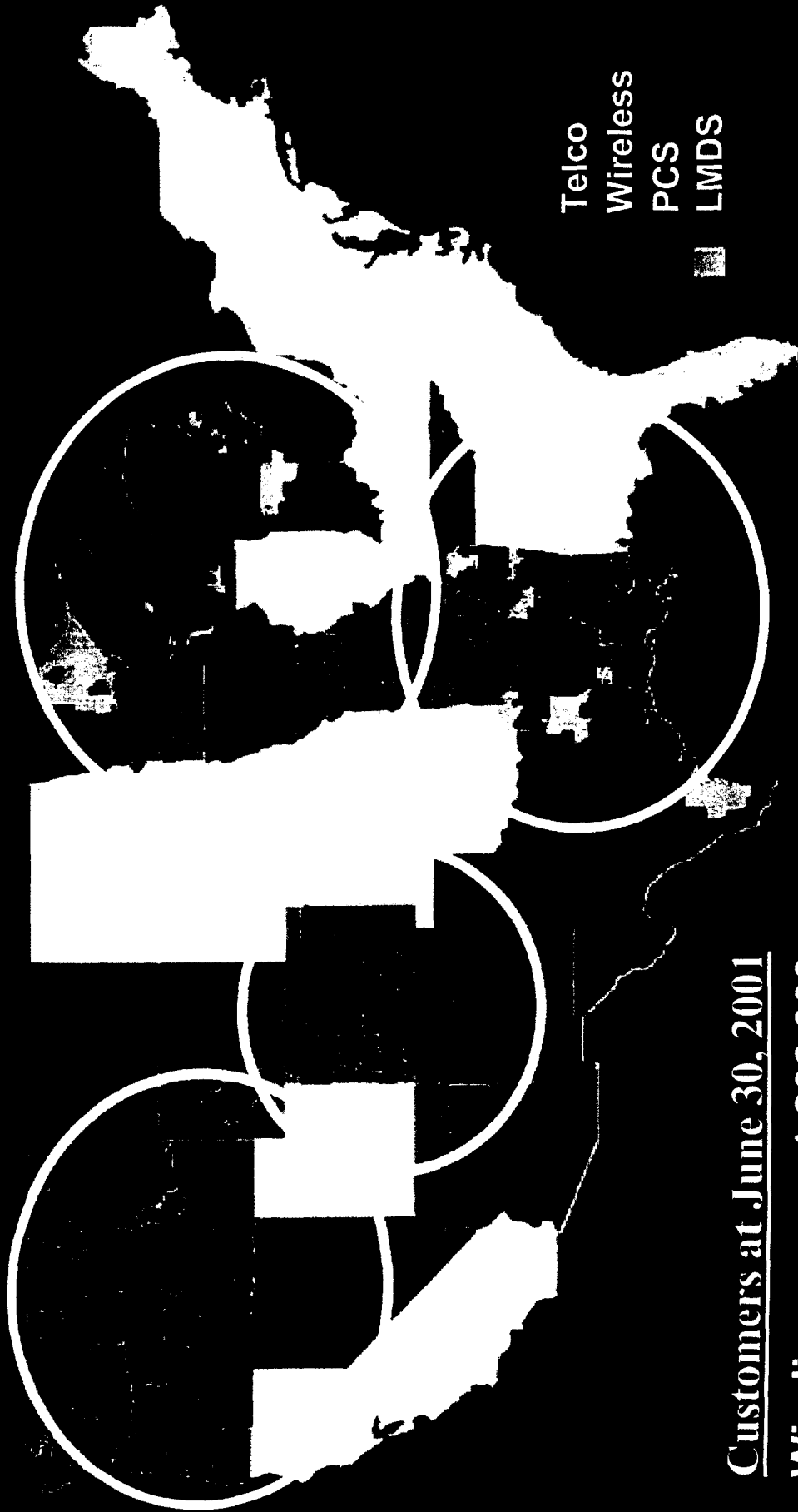
CENTURYTEL

Financial Snapshot

- ♦ Projected 2001 Revenues of \$2.10 - \$2.14 Billion
- ♦ Projected 2001 Operating Cash Flow of \$1.01 - \$1.04 Billion
- ♦ Market Capitalization of \$4.5 Billion
- ♦ Listed on the NYSE
- ♦ Member of S&P 500

CENTURYTEL

Clustered Operations



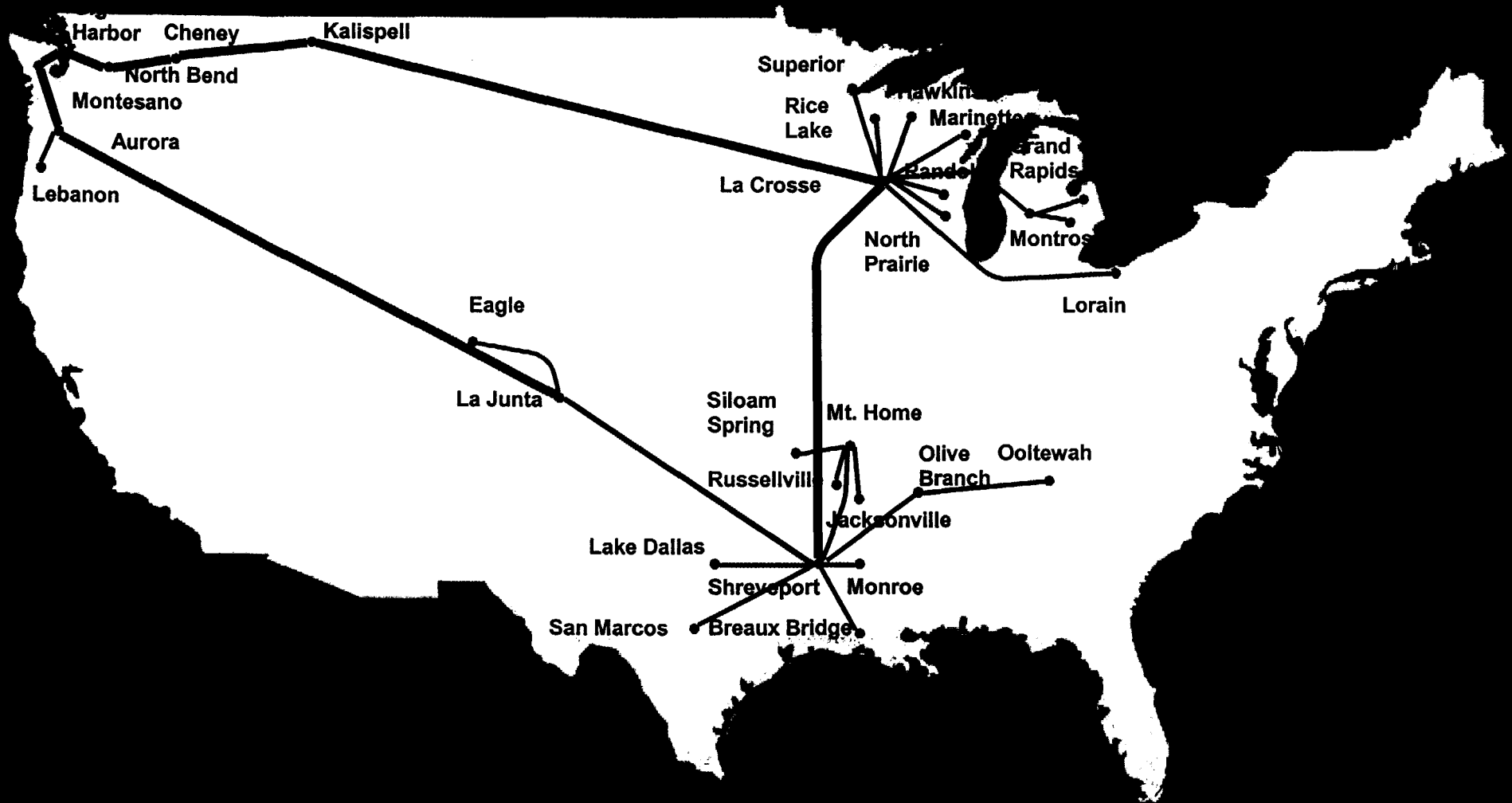
Telco
Wireless
PCS
LMDS

Customers at June 30, 2001

Wireline	1,808,000
Wireless	780,000
Long Distance	414,000
Internet	129,000

CENTURYTEL

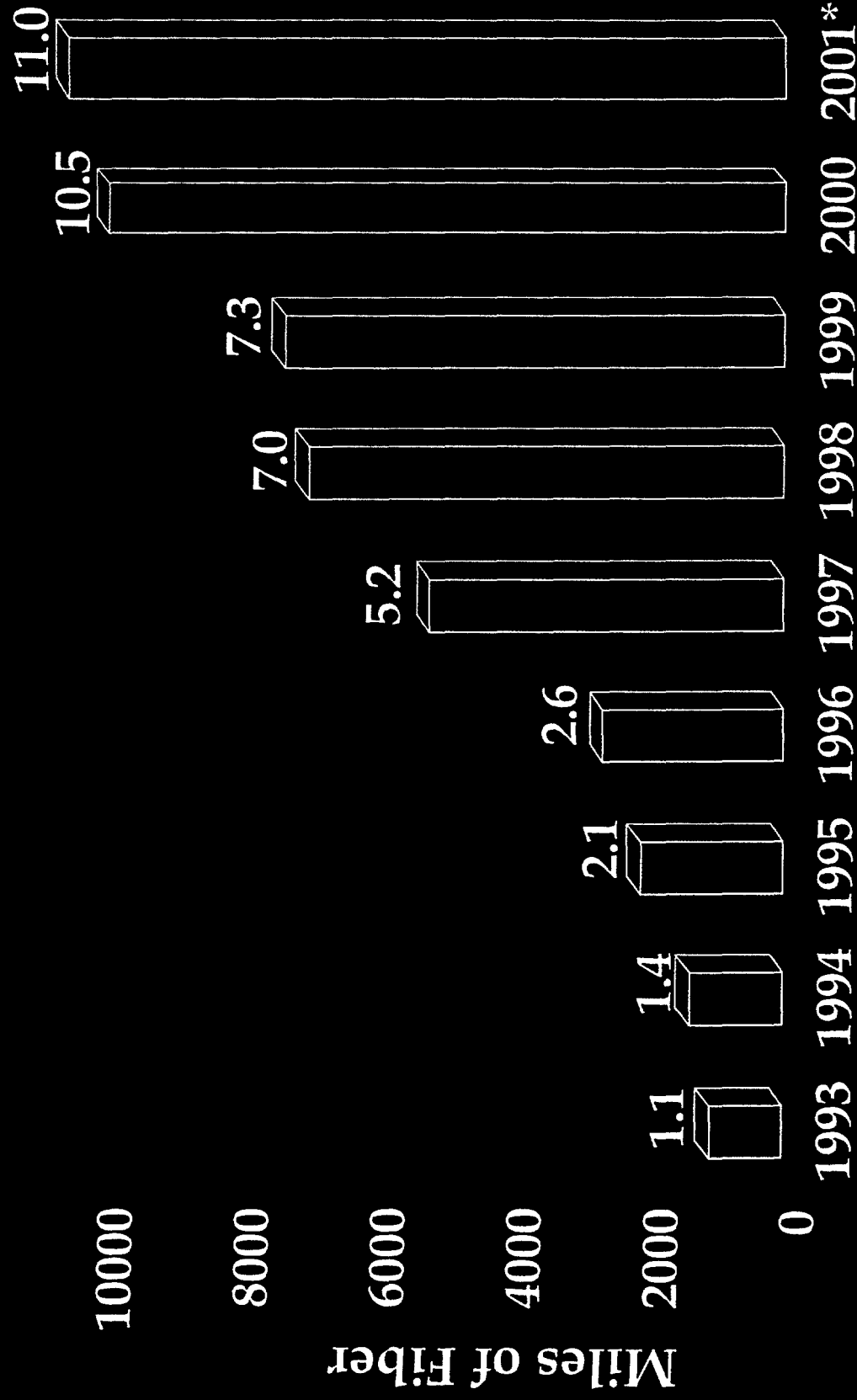
National Backbone Network



Core ATM Switching



Fiber Deployment (Telco)



* Estimated

CENTURYTEL

Key Operational Strategies

- ◆ Focus on Geographically Clustered Rural Areas and Smaller Cities
- ◆ Build High-Quality Broadband Capable Networks
- ◆ Offer Multi-Services and Bundled Packages of Communication Services to Customers
- ◆ Be First to Market with New Services
- ◆ Remain a Low-Cost Provider of Services in Rural Areas

Focused Growth Strategy

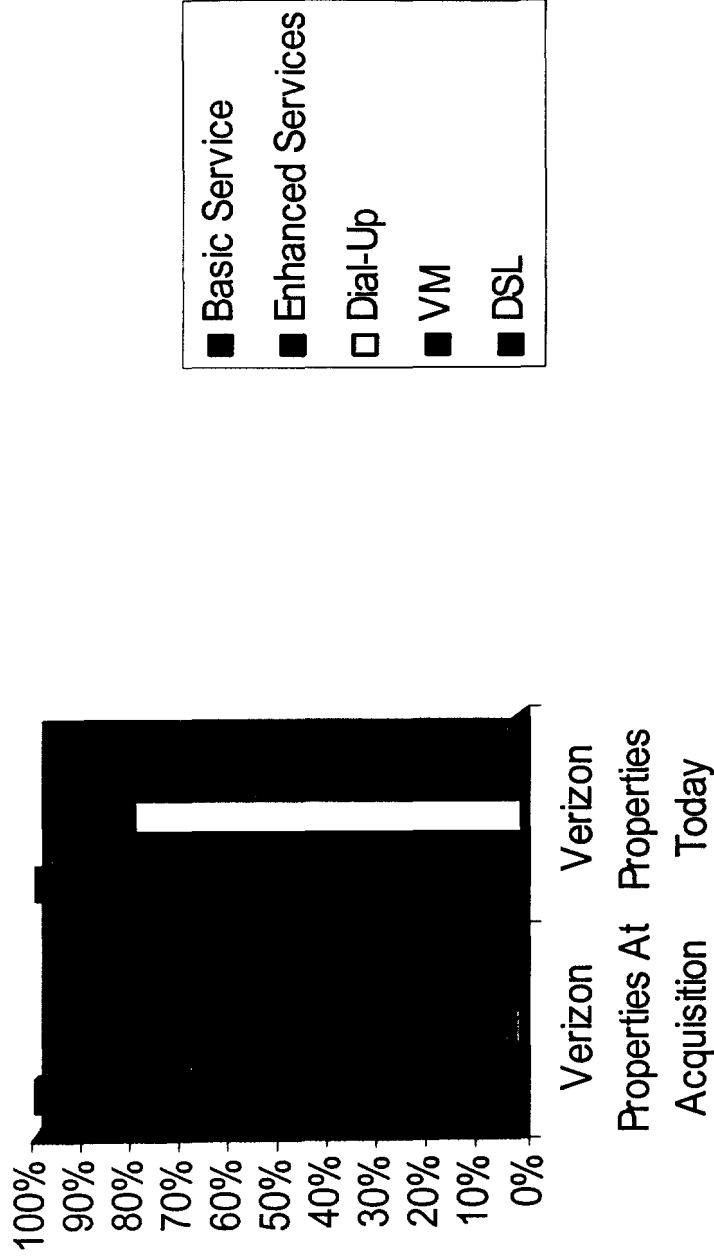
- ♦ Drive Revenue Growth Through Value Added Packaging of Products - Vertical Services, Data, and Long Distance
- ♦ Offer Additional Services Through Deployment of New Technology Over Advanced Networks
- ♦ Expand Competitive Entry into Geographically Contiguous Markets
- ♦ Continue Strategic Acquisitions

Verzion Properties Key Learnings

- ◆ Data & Vertical Services Were Not Offered by VZ in Significant Portion of Acquired Properties
- ◆ Investment Targeted at Feature Enablement and Facilities Expansion
- ◆ Great Opportunity for Relationship Building, Especially in Small & Medium Business Segments
- ◆ Strong Demand for Vertical & Data Services

Feature & Services Availability

Access Lines Enabled:

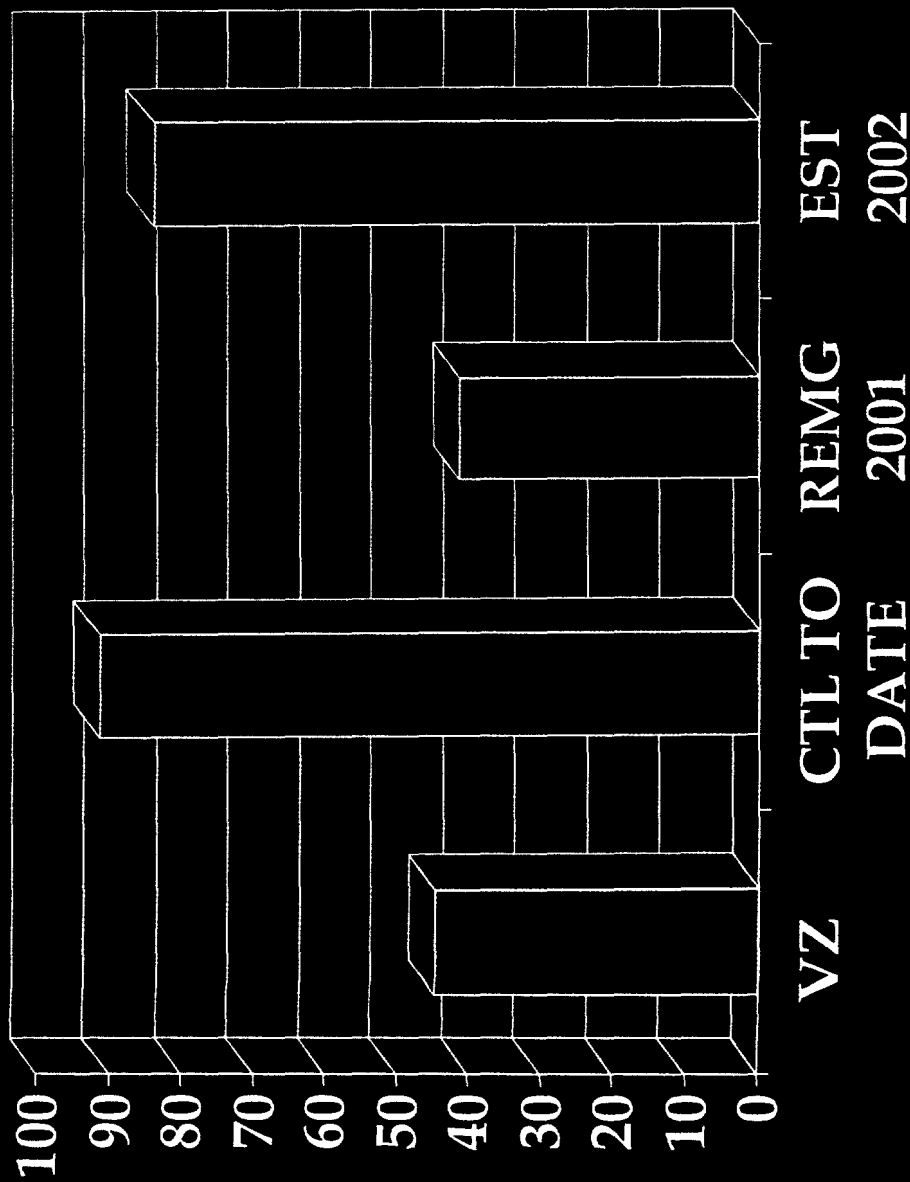


Verizon Properties Vertical Services Penetration

	@ Acquisition	2nd Qtr 2001
CCF/CLASS	22.00%	34.20%
CID	10.40%	15.72%
VM	<1.00%	1.40%
LD	NA	13.66%
Internet	<1.00%	1.00%
DSL	0.00%	0.14%

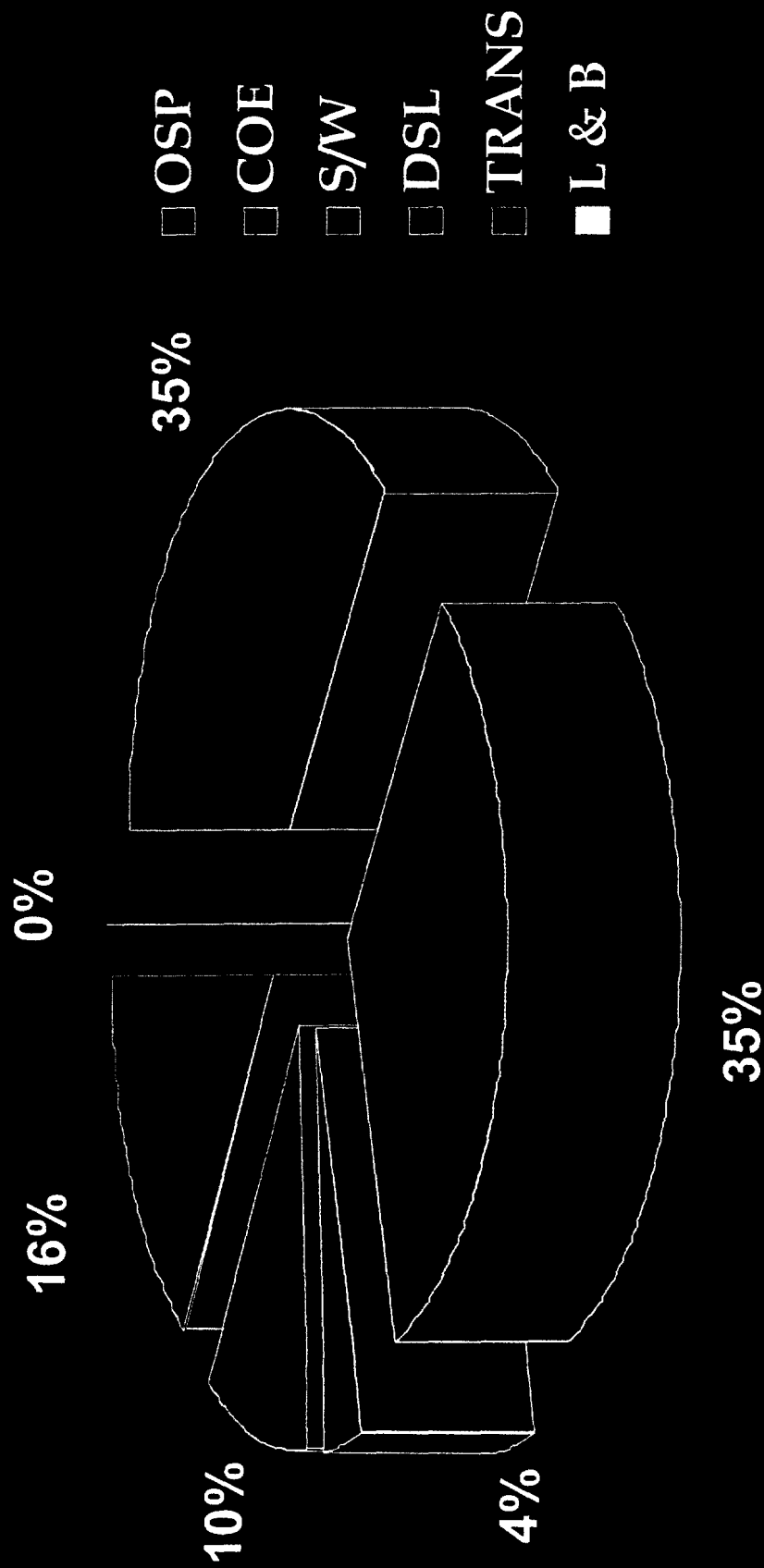
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Verizon Acquisition Cap Ex



CENTURYTEL

Verizon Acq CapEx by Category



A Commitment to Wisconsin

- Continued Infrastructure Investment in Rural and Small Urban Markets
- Creating Jobs for the Wisconsin Economy
- Filling the Void Left by Larger Carriers (Ameritech and GTE)
- Providing New and Better Services in Previously Under-Served Markets
 - DSL (Broadband High-Speed Services)
 - Voice Mail
 - Local Internet Dial up
 - New Services for 2002
- Customer-Focused With a Commitment to Serve
- Advocate of Affordable and Comparable Local Rates for Rural Customers
- Proven Expertise in Providing Rural Telecommunications
- CenturyTel Employees Live and Work in the Communities They Serve
- New Regional Headquarters in La Crosse
- Long Distance Companies Have Not Made Any of These Commitments to the State



Why CenturyTel is Good for the State of Wisconsin and Wisconsin Consumers

"A Leading and Early Provider of Broadband, High-Speed Data Services

"Provides State-of-the-Art Telecommunications That Attract Businesses to Rural

Markets

"Offers a Variety of New Services Through Deployment of New Technology and

Advanced Networks

"Offers a Competitive Choice for Wireless, Long Distance, Internet and Other Services

"A Driver of Economic Growth, Taxes and Job Creation in Many Markets

"Removes Threat of Telecommunications "Haves" and "Have Nots" Within the State

"Fills the Void Left by Larger Carriers That Abandon Smaller Markets

"A Proven Record of Commitment, Investment and Willingness to Serve

"Customer-Focused, Market Driven, Excellent Quality of Service Standards and Strong,

Local Customer Service Support

"Local Management That Understands Wisconsin Customers and Their Needs

"Focused on Tomorrow's Technology and Services for Wisconsin Customers

CENTURYTEL

Experience, Success, Strength and Growth

- 70 Years of Experience in Rural Telecommunications
- Rapid Growth by Acquisition of Rural and Small Urban Properties
- 8th Largest Local Exchange Company and 8th Largest Cellular Company in U.S.
- Serving Rural Customers in 21 States
- Regional Headquarters: La Crosse, Wisconsin
- National Headquarters: Monroe, Louisiana
- Concentration of Growth in Rural Markets
- Leading Provider of Integrated Services in Rural America Including Data, Wireline, Wireless, Long Distance, Internet, CLEC and Security Services
- Good Corporate Citizen With a Commitment to Jobs, Education and Community Service
- A Leader in the Deployment of Advanced Services to Help Eliminate the "Digital Divide"
- Proven History of Major Investments, Job Creation and Upgrading Telecommunications Services for Customers After Acquisitions
- Positioned to Bring Viable Competition to Larger Carriers



The Rural Difference

"Congress, State Commissions and the FCC Have Recognized That Rural Telephone Companies Are Different in Terms of the Costs They Face and the Markets They Serve.

"All of CenturyTel's Operating Companies Are Classified As "Rural" Under the Federal Telecommunications Act.

"The Markets of Rural Carriers Tend to Be More Geographically Remote With Widely Dispersed Populations.

"The Average Population Density for Rural Carriers Is Only 13 Persons Per Square Mile. CenturyTel's Average Is 10 Persons Per Square Mile. Non Rural Carriers Serve an Average of 105 Persons Per Square Mile.

"More Resources, Including Duplicate Facilities and Backup Equipment Are Required to Protect Network Reliability in Rural Areas.

"Rural Carriers Serve Fewer High Volume and Large Customers. 80% of CenturyTel's Customer Base Is Residential

"Loop Costs Are Substantially Higher in Rural Areas. CenturyTel's Average Loop Cost Is \$450 Nationally.

"Recognition of the "Rural Difference" Is Important. Policy Makers Have Determined That a "One-Size-Fits-All" Approach to Regulation of Telephone Companies Will Not Benefit Consumers in Rural Markets.

Why CenturyTel is Not GTE or Ameritech

"GTE and Ameritech Operated a Combination of Large and Smaller Markets

Throughout the State.

"This Allowed Them to Spread the Cost of Operating High Cost Exchanges Over to Their Lower Cost Larger Markets.

"GTE and Ameritech Kept Their Larger Markets and Sold Their Smaller Markets. CenturyTel Does Not Have the Same Larger Markets Over Which to Spread Its Costs.

"GTE and Ameritech Have Not Made Needed Investments in These Markets for a Number of Years. Costly Upgrades Are Needed.

"CenturyTel Is Regulated As a Rate-of-return Company. GTE and Ameritech Are Regulated As Price Cap Companies at Both the State and Federal Levels. CenturyTel Cannot Recover Its Cost in the Same Way These Companies Do. Somewhat Higher Access Charges Paid by Long Distance Companies for Use of Our Network Help Offset These Costs and Keep Customer Rates Low.

"CenturyTel Wishes to Invest Heavily in These Markets to Bring Services up to Higher Standards and Introduce New Services and Technology.

CENTURYTEL